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April 22, 1993

Mr. Christopher Stubbs
U.S. Environmental Protection Agency
Region IX
South Coast Groundwater Section (H-6-4)
75 Hawthorne Street
San Francisco, CA 94105

Mr. Thomas P. Mintz
U.S. Environmental Protection Agency
Region IX
Office of the Regional Counsel (RC-3-3)
75 Hawthorne Street
San Francisco, CA 94105

Steven C. Silverman, Esq.
U.S. Department of Justice
Environmental Enforcement Section
Land & Natural Resources Division
10th & Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Re: San Fernando Valley Area 1
North Hollywood Operable Unit
EPA Superfund Site I.D. Nos. 59 and N1
Los Angeles County, California

Gentlemen:

This letter is in response to your letter of March 16, 1993, addressed to Joseph W. Basinger and your letter of the same date addressed to Gordon N. and Peggy M. Wagner wherein you made demand upon both parties for payment of \$16,801,295.43. As you know I represent both of the above parties and this letter shall serve as each of their required responses to your March 16th letter. We will also deal with the other issues raised at our joint meeting with Hawker Pacific and you on April 6, 1993.

As to the issue of liability for contamination of the ground water in referenced location please be advised that neither Basinger nor the Wagners admit that they have any liability for the ground water contamination under their site and hereby refuse to contribute monetarily in any way to any costs associated with remediating the alleged ground water contamination. As you were

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informed at the April 6th meeting my clients have shared equally in the costs of the engineering work on the site performed for the purpose of characterizing any contamination that exists thereunder. Although we allowed Mr. Monahan, counsel for Hawker Pacific to make the presentation to you at the April 6th meeting please be aware that at this time their views and ours are entirely consistent vis-a-vis the possible contamination of the ground water. It did not come from this site if it in fact exists at all.

In an attempt to work with the California Regional Water Quality Control Board (CRWQCB) both the tenant and we have performed numerous and expensive studies to characterize any contamination that exists at the site. More work is planned in the suspect area between Buildings 1 and 2. I have attached hereto as Exhibits 1 and 2 copies of photographs taken at the site to more graphically show you the small area and insignificance of the alleged "underground tank." Exhibit one shows that the total area of concern is approximately 10 by 20 feet. Pursuant to information provided to you by Hawker Pacific you have been informed that this area was never used for manufacturing purposes. Exhibit 2 shows you the "underground tank", which was in actuality a 3'x3'x3' box. It is important for you to note that the area directly under the box is not currently considered to be a likely source of substantial contamination.

Please note that Hawker Pacific and Basinger and the Wagners have already authorized further work to be performed by their consultants Law/Crandall. A work plan has already been approved by CRWQCB for further drilling to be performed at the site which we trust will result in further, redundant, information that this site is not the source of any ground water contamination located beneath this site. You are invited to respond quickly to this work plan if you feel that you would prefer that the sampling be done in different locations. EPA will of course be copied on all results of this further investigation.

As a display of its good faith in working with the EPA I have executed on behalf of my clients the tolling agreement you presented regarding any possible statute of limitation concerns you may have had. We understand the large amount of effort that you must expend reviewing the data in this case and we are happy to allow you such further time as you may need to come to the conclusion that my clients have had nothing to do with the ground water problem at this site. We look forward to your response after you have completed your review of the available data from the other parties under investigation at this operating unit and

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the review of the further testing that we provide to you.

In conclusion, it is my clients' belief that there is no good faith basis for concluding that they are in any way responsible for any ground water contamination that may exist in the operating unit. Further, my clients' do not intend to enter into negotiations with you for the payment of any expenses incurred to date by the government, however, my clients are willing and ready to cooperate with the government in their efforts to ascertain the responsible parties at this operating unit. This is evidenced by their execution of the tolling agreement and their continued efforts to work with the CRWQCB in characterizing the site.

If you have any questions or comments which you wish to share with me regarding the contents of this letter please call or write to me at your convenience.

Very truly yours,

A handwritten signature in dark ink, appearing to be 'AR' with a stylized flourish.

Aaron Rosen

AR:abm

cc: J. Basinger
M/M Wagner

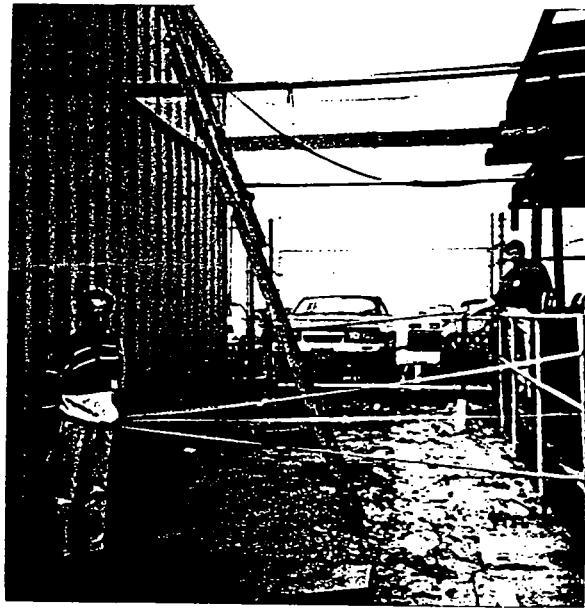


EXHIBIT 1

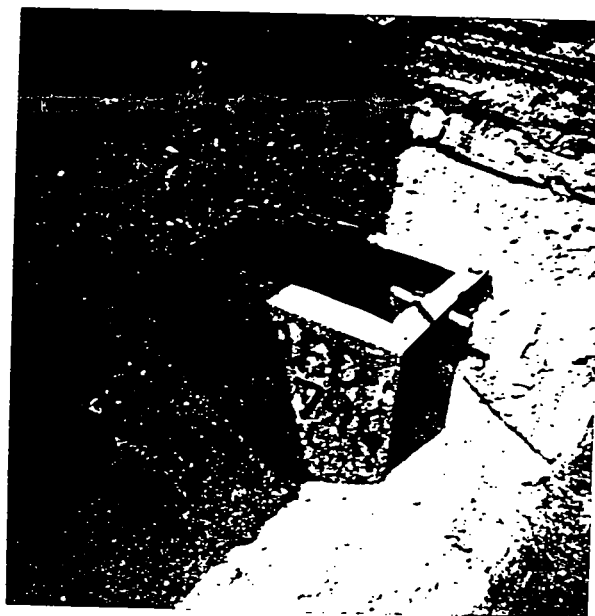


EXHIBIT 2